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President Simpson, Speaker Sprowls Announce Plan to Prevent Unexpected Tax Hikes on Florida Businesses, Replenish Unemployment Compensation Trust Fund

Uncollected Taxes from Out-of-State Online Retailers to now be Collected, Deposited Annually into Fund

TALLAHASSEE, Fla. – Florida Senate President Wilton Simpson, R-Trilby, and House Speaker Chris Sprowls, R-Palm Harbor, today announced a plan to prevent an unexpected tax hike on Florida businesses, create a fair playing field with out-of-state businesses and ensure that necessary compensation is available for Florida workers seeking re-employment.

The presiding officers announced proposals to ensure that, starting this year, approximately \$1 billion of uncollected sales tax from out-of-state retailers will be collected and deposited into Florida's Unemployment Compensation Trust Fund annually until the Trust Fund is replenished to pre-pandemic levels. Replenishing the trust fund will prevent an automatic increase in unemployment (reemployment assistance) taxes facing businesses, while ensuring that the fund remains solvent for employees when they need to claim their benefits. The plan uses uncollected taxes that are already due to the state to help relieve an unforeseen tax burden for businesses with a physical presence in the state.

"Under the law, online purchases are not tax-free. Every time government turns a blind eye on collecting taxes, we put a greater burden on the businesses and Floridians who are following the law. Making sure we are collecting existing taxes that are owed is the right thing to do," said President Simpson. "Rather than treating additional revenue that is already owed to the state as a windfall for the spending priorities of the day, the prudent thing to do is to reinvest these funds in our Unemployment Compensation Trust Fund, helping businesses survive a situation no one could have anticipated, and shoring up benefits for the struggling Floridians who have lost their jobs as a result of this pandemic."

"Our plan makes responsible use of the resources we have so that we can rescue Florida business owners from a major tax increase. Florida businesses must be able to retain and hire employees and contribute to our recovering economy. They can't do that if they're facing substantial tax hikes that, in some cases, would amount to a 700% increase in four years over what they would pay in Florida unemployment (reemployment) taxes under this plan," said Speaker Sprowls.

“This fiscally responsible legislation will cut taxes for our business owners, ensure that Florida’s small businesses and retailers with a physical presence in our state are competitive, and keep us the most business-friendly state in the nation.”

“Businesses can’t get back to work if they are faced with rising and unpredictable tax increases. Everything we do in this committee must be approached with the goal of getting and keeping jobs here in Florida and helping our economy recover from the pandemic,” said House Ways & Means Chair Bobby Payne, R-Palatka. “We can do just that by collecting revenue from out-of-state retailers that aren’t currently remitting the sales taxes they owe, which makes this plan an even better deal for our local businesses.”

Senate Bill 50 by Senator Joe Gruters, R-Sarasota, and House Bill 15 by Representative Chuck Clemons, R-Newberry, promote a fair climate for those doing business in Florida by ensuring that all entities doing business in Florida, whether brick and mortar or online, collect and remit to the state the existing sales tax required on purchases. Specifically the bills require out-of-state retailers and marketplace providers with no physical presence in Florida to collect Florida’s sales tax on sales of taxable items delivered to purchasers in Florida if the out-of-state retailer or marketplace provider makes a substantial number of sales into Florida.

“Businesses with brick and mortar stores are already acting in good faith and accordance with the law by collecting sales tax for online purchases at the point of sale. Unfortunately, right now, Florida-based, brick and mortar businesses are at a disadvantage because they collect sales tax and their out of state competition does not,” said Senator Gruters. “Sales tax is money already owed to the state, and collecting it is the right thing to do. Investing this revenue in our Unemployment Compensation Trust Fund alleviates a huge and unexpected burden on Florida business, while also making certain that unemployment compensation benefits are available when Floridians need them.”

“By leveling the playing field in this way, we will ensure that Florida will be applying our tax laws equally to both in-state and out-of-state online retailers,” said Representative Clemons. “We cannot continue to allow free rides for out-of-state businesses that haven’t paid the sales taxes they owe Florida; it’s not fair to the businesses with a physical presence in Florida.”

A recent Revenue Estimating Conference comprised of professional staff representatives of the Senate, House, Governor’s Office, and the Legislature’s Office of Economic and Demographic Research determined the bills could result in the collection of an additional \$973.6 million in Fiscal Year 2021-2022 and by \$1.08 billion each year thereafter.

In the House, HB 15 will be up for consideration in the Ways & Means Committee on Thursday, and Representative Clemons will offer an amendment to deposit the sales taxes collected from out-of-state online retailers into the Unemployment Compensation Trust Fund.

In the Senate, SB 50 was scheduled to be taken up on the Floor on Thursday, March 11, but will be temporarily postponed to afford Senator Gruters time to complete the draft of an amendment to link any increase in revenue derived from the bill to be deposited into Florida's Unemployment Compensation Trust Fund, as well.

Florida's Unemployment Tax and Trust Fund

Florida's existing unemployment (reemployment) tax is paid by employers and the tax collected is deposited into the Unemployment Compensation Trust Fund for the sole purpose of paying reemployment assistance benefits to eligible claimants. A specific rate, calculated annually, is charged by the state to the employer on the first \$7,000 of wages paid to each employee.

The rate paid by each employer is based on certain factors, including the employer's prior use of the fund, and the statewide balance of the fund. An employer who frequently lays off employees who then collect unemployment benefits will pay a higher rate. However, any employers who were forced to lay off employees due to the COVID-19 pandemic did not have those benefits charged directly back to their accounts, which was announced by an Executive Order issued by Governor DeSantis.

Unfortunately, the decline in the balance of the fund caused by the pandemic triggered an increase in rates for all employers beginning in January 2021. The rates are projected to increase even further over the next few years until the fund is replenished to pre-pandemic levels. Under this plan, unemployment (reemployment) tax increases for all employers resulting from the pandemic will be prevented.

For more information, please visit www.FLSenate.gov or www.MyFloridaHouse.gov.

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